

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF RECLAMATION
Central Valley Project, California

LONG-TERM RENEWAL CONTRACT BETWEEN THE UNITED STATES
AND
SAN JUAN WATER DISTRICT
PROVIDING FOR PROJECT WATER SERVICE
FROM THE AMERICAN RIVER DIVISION

Table of Contents

<u>Article No.</u>	<u>Title</u>	<u>Page No.</u>
	Preamble	1
	Explanatory Recitals	2-6
1	Definitions	6-9
2	Term of Contract.....	9-10
3	Water to be Made Available and Delivered to the Contractor	11-14
4	Time for Delivery of Water	14-15
5	Point of Diversion and Responsibility for Distribution of Water	15-16
6	Measurement of Water Within the Service Area.....	16-18
7	Rates and Method of Payment for Water.....	18-23
8	Omitted	23
9	Sales, Transfers, or Exchanges of Water	23-25
10	Application of Payments and Adjustments.....	25
11	Temporary Reductions--Return Flows	25-26
12	Constraints on the Availability of Water	26-27
13	Omitted	27
14	Rules and Regulations	27
15	Water and Air Pollution Control.....	27
16	Quality of Water	27-28

Table of Contents - continued

<u>Article No.</u>	<u>Title</u>	<u>Page No.</u>
17	Water Acquired by the Contractor Other Than From the United States	28-30
18	Opinions and Determinations	30
19	Coordination and Cooperation	30-32
20	Charges for Delinquent Payments	32
21	Equal Opportunity.....	32-33
22	General Obligation--Benefits Conditioned Upon Payment	33-34
23	Compliance With Civil Rights Laws and Regulations	34
24	Omitted	34
25	Contractor to Pay Certain Miscellaneous Costs	34-35
26	Water Conservation	35-36
27	Existing or Acquired Water or Water Rights.....	36
28	Omitted	36
29	Contingent on Appropriation or Allotment of Funds	36
30	Books, Records, and Reports	37
31	Assignment Limited--Successors and Assigns Obligated	37
32	Severability	37-38
33	Resolution of Disputes.....	38
34	Officials Not to Benefit.....	38
35	Changes in Contractor's Service Area	39
36	Federal Laws.....	39
37	Notices	39
38	Confirmation of Contract.....	40
	Signature Page	40

Exhibit A - Map of Contractor's Service Area

Exhibit B - Rates and Charges

1 UNITED STATES
2 DEPARTMENT OF THE INTERIOR
3 BUREAU OF RECLAMATION
4 Central Valley Project, California

5 LONG-TERM RENEWAL CONTRACT BETWEEN THE UNITED STATES
6 AND
7 SAN JUAN WATER DISTRICT
8 PROVIDING FOR PROJECT WATER SERVICE
FROM THE AMERICAN RIVER DIVISION

9 THIS CONTRACT, made this ____ day of _____, 20____, in pursuance
10 generally of the Act of June 17, 1902 (32 Stat. 388), and acts amendatory or supplementary thereto,
11 including, but not limited to, the Acts of August 26, 1937 (50 Stat. 844), as amended and
12 supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented, June 21, 1963 (77
13 Stat. 68), October 12, 1982 (96 Stat. 1263), October 27, 1986 (100 Stat. 3050), as amended,
14 November 3, 1990 (104 Stat. 2087), as amended, and Title XXXIV of the Act of October 30, 1992
15 (106 Stat. 4706), all collectively hereinafter referred to as Federal Reclamation law, between THE
16 UNITED STATES OF AMERICA, hereinafter referred to as the United States, and SAN JUAN
17 WATER DISTRICT, hereinafter referred to as the Contractor, a public agency of the State of
18 California, duly organized, existing, and acting pursuant to the laws thereof;

19 WITNESSETH, That:

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EXPLANATORY RECITALS

[1st] WHEREAS, the United States has constructed and is operating the Central Valley Project (Project), California, for diversion, storage, carriage, distribution and beneficial use, for flood control, irrigation, municipal, domestic, industrial, fish and wildlife mitigation, protection and restoration, generation and distribution of electric energy, salinity control, navigation and other beneficial uses, of waters of the Sacramento River, the American River, the Trinity River, and the San Joaquin River and their tributaries; and

[2nd] WHEREAS, the United States constructed Folsom Dam and Reservoir, hereinafter collectively referred to as the American River Division facilities, which will be used in part for the furnishing of water to the Contractor pursuant to the terms of this Contract; and

[3rd] WHEREAS, the rights to Project Water were acquired by the United States pursuant to California law for operation of the Project; and

[3.1] WHEREAS, the Contractor succeeded to the rights of the North Fork Ditch Company as set forth in Contract No. DA-04-167-eng-610, dated April 12, 1954, between the United States and the Company, which contract is separate and apart from Contract 14-06-200-152A and remains in full force and effect by its own terms; and

[3.2] WHEREAS, Contract No. DA-04-167-eng-610 provides, among other things for the delivery to the Contractor by the United States of not to exceed 33,000 acre-feet of water each Calendar Year, referred to as the Contractor’s Water Rights Water; and

[4th] WHEREAS, the Contractor and the United States entered into Contract No. 14-06-200-152A, dated June 19, 1962, as amended, which established terms for the delivery to the Contractor of Project Water from the American River Division from June 19, 1962, through February 28, 1995; and

[4.1] WHEREAS, both Contract No. 14-06-200-152A and Contract No. DA-04-167-eng-610 provide that Project Water and the Contractor’s Water Rights Water, respectively, be delivered to Hinkle Reservoir; and

46 [5th] WHEREAS, the Contractor and the United States have pursuant to subsection
47 3404(c)(1) of the Central Valley Project Improvement Act (CVPIA), subsequently entered into
48 interim renewal contract(s) identified as Contract No(s).14-06-200-152A-IR1, 14-06-200-152A-IR2,
49 14-06-200-152A-IR3, 14-06-200-152A-IR4,14-06-200-152A-IR5, 14-06-200-152A-IR6, 14-06-200-
50 152A-IR7, and 14-06-200-152A-IR8, the last of which is hereinafter referred to as the Existing
51 Contract, which provided for the continued water service to the Contractor from March 1, 2004,
52 through February 28, 2006; and

53 [5.1] Omitted; and

54 [5.2] WHEREAS, the Contractor and the United States entered into Contract
55 No. 6-07-20-W1373, dated April 8, 1999, pursuant to Section 206(b) of Public Law 101-514 (104
56 Stat. 2087), which provides for the delivery to the Contractor of up to 13,000 acre feet per year of
57 Project Water from Folsom Reservoir, hereinafter referred to as the P.L. 101-514 CVP Contract.

58 [5.3] WHEREAS, the P.L. 101-514 CVP Contract provides that, at the time of the
59 long-term renewal of this Contract, the P.L. 101-514 CVP Contract would be amended to conform to
60 the provisions of this Contract. The United States and the Contractor desire to facilitate contract
61 administration by combining the quantity of Project Water provided for in the P.L. 101-514 CVP
62 Contract with the quantity of Project Water in the Existing Contract, so that this Contract would be
63 the sole long-term contract for Project Water service between the United States and the Contractor
64 superseding and replacing the P.L. 101-514 CVP Contract.

65 [6th] WHEREAS, Section 3404(c) of the CVPIA provides for long-term renewal of the
66 Existing Contract following completion of appropriate environmental documentation, including a
67 programmatic environmental impact statement (PEIS) pursuant to the National Environmental Policy
68 Act (NEPA), analyzing the direct and indirect impacts and benefits of implementing the CVPIA and
69 the potential renewal of all existing contracts for Project Water; and

70 [6.1] Omitted; and

71 [7th] WHEREAS, the United States has completed the PEIS and all other appropriate
72 environmental review necessary to provide for long-term renewal of the Existing Contract; and

73 [8th] WHEREAS, the Contractor has requested the long-term renewal of the Existing
74 Contract, pursuant to the terms of the Existing Contract, Federal Reclamation law, and the laws of the
75 State of California, for water service from the Project; and

76 [9th] WHEREAS, the United States has determined that the Contractor has fulfilled all of
77 its obligations under the Existing Contract and under the P.L. 101-514 CVP Contract; and

78 [10th] WHEREAS, the Contractor has demonstrated to the satisfaction of the Contracting
79 Officer that the Contractor has utilized the Project Water supplies available to it for reasonable and
80 beneficial use and/or has demonstrated projected future demand for water use such that the
81 Contractor has the capability and expects to utilize fully for reasonable and beneficial use the
82 quantity of Project Water to be made available to it pursuant to this Contract; and

83 [11th] WHEREAS, water obtained from the Project has been relied upon by urban areas
84 within California for more than 50 years, and is considered by the Contractor as an essential portion
85 of its water supply; and

86 [12th] WHEREAS, the economies of regions within the Project, including the Contractor's,
87 depend upon the continued availability of water, including water service from the Project; and

88 [12.1] WHEREAS, in the CALFED Programmatic Record of Decision, dated August 28,
89 2000, the United States and the State of California adopted a general target of continuously
90 improving Delta water quality for all uses. The CALFED Agencies' target for providing safe,
91 reliable, and affordable drinking water in a cost-effective way, is to achieve either: "(a) average
92 concentrations at Clifton Forebay and other southern and central Delta drinking water intakes of 50
93 ug/L bromide and 3.0 mg/L total organic carbon, or (b) an equivalent level of public health protection
94 using a cost-effective combination of alternative source waters, source control and treatment
95 technologies;" and

96 [13th] WHEREAS, the Secretary intends through coordination, cooperation, and partnerships
97 to pursue measures to improve water supply, water quality, and reliability of the Project for all
98 Project purposes; and

99 [13.1] WHEREAS, the Contractor and the water users in its Service Area have improved and
100 will continue to improve water use efficiency through water conservation, water reclamation, and
101 other Best Management Practices; however, implementing these measures has reduced and will
102 continue to reduce the ability of the Contractor and the water users in its Service Area to withstand a
103 Condition of Shortage; and

104 [14th] WHEREAS, the mutual goals of the United States and the Contractor include: to
105 provide for reliable Project Water supplies; to control costs of those supplies; to achieve repayment
106 of the Project as required by law; to guard reasonably against Project Water shortages; to achieve a
107 reasonable balance among competing demands for use of Project Water; and to comply with all
108 applicable environmental statutes, all consistent with the legal obligations of the United States
109 relative to the Project; and

110 [15th] WHEREAS, the parties intend by this Contract to develop a more cooperative
111 relationship in order to achieve their mutual goals; and

112 [15.1] WHEREAS, the Contractor is a signatory to the Water Forum Agreement, dated
113 April 14, 2000, which has the co-equal objectives to (1) provide a reliable and safe water supply for
114 the Sacramento region's economic health and planned development through the year 2030, and (2)
115 preserve the fishery, wildlife, recreational and aesthetic values of the lower American River; and

116 [15.2] WHEREAS, the Contracting Officer is in support of the co-equal objectives of the
117 Water Forum Agreement and intends to work cooperatively with the Contractor to investigate actions
118 that they could take to implement the objectives of the Water Forum Agreement, which, if agreed to,
119 would be the subject of a separate agreement between them; and

120 [15.3] WHEREAS, the Contractor now requires that the water provided pursuant to the
121 above said contracts be delivered to a higher elevation at its Sidney N. Peterson Water Treatment
122 Plant (hereinafter referred to as the Contractor's Water Treatment Plant); and

123 [15.4] WHEREAS, in *San Juan Suburban Water District v. United States, Civ.*
124 No. S-83-1621-LKK (E.D. Cal.), the District Court ruled that the United States was not obligated to
125 deliver Project Water or the Contractor's Water Rights Water to the higher elevation at the
126 Contractor's Water Treatment Plant; and

127 [16th] WHEREAS, the United States and the Contractor are willing to enter into this
128 Contract pursuant to Federal Reclamation law with the delivery of both Project Water and the
129 Contractor's Water Rights Water to the Contractor's Water Treatment Plant on the terms and
130 conditions set forth below;

131 NOW, THEREFORE, in consideration of the mutual and dependent covenants herein
132 contained, it is hereby mutually agreed by the parties hereto as follows:

133 DEFINITIONS

134 1. When used herein unless otherwise distinctly expressed, or manifestly incompatible
135 with the intent of the parties as expressed in this Contract, the term:

136 (a) "Calendar Year" shall mean the period January 1 through December 31, both
137 dates inclusive;

138 (b) "Charges" shall mean the payments required by Federal Reclamation law in
139 addition to the Rates and Tiered Pricing Component specified in this Contract as determined annually
140 by the Contracting Officer pursuant to this Contract;

141 (c) "Condition of Shortage" shall mean a condition respecting the Project during
142 any Year such that the Contracting Officer is unable to deliver sufficient water to meet the Contract
143 Total;

144 (d) "Contracting Officer" shall mean the Secretary of the Interior's duly

145 authorized representative acting pursuant to this Contract or applicable Federal Reclamation law or
146 regulation;

147 (e) "Contract Total" shall mean the maximum amount of water to which the
148 Contractor is entitled under subdivision (a) of Article 3 of this Contract;

149 (f) "Contractor's Service Area" shall mean the area to which the Contractor is
150 permitted to provide Project Water under this Contract as described in Exhibit "A" attached hereto,
151 which may be modified from time to time in accordance with Article 35 of this Contract without
152 amendment of this Contract;

153 (g) "CVPIA" shall mean the Central Valley Project Improvement Act, Title
154 XXXIV of the Act of October 30, 1992 (106 Stat. 4706);

155 (h-i) Omitted;

156 (j) "Full Cost Rate" shall mean an annual rate, as determined by the Contracting
157 Officer that shall amortize the expenditures for construction properly allocable to the Project
158 irrigation or M&I functions, as appropriate, of facilities in service including all O&M deficits funded,
159 less payments, over such periods as may be required under Federal Reclamation law, or applicable
160 contract provisions. Interest will accrue on both the construction expenditures and funded O&M
161 deficits from October 12, 1982, on costs outstanding at that date, or from the date incurred in the case
162 of costs arising subsequent to October 12, 1982, and shall be calculated in accordance with
163 subsections 202(3)(B) and (3)(C) of the RRA. The Full-Cost Rate includes actual operation,
164 maintenance, and replacement costs consistent with Section 426.2 of the Rules and Regulations for
165 the RRA;

166 (k-l) Omitted;

167 (m) "Irrigation Water" shall mean water made available from the Project that is
168 used primarily in the production of agricultural crops or livestock, including domestic use incidental
169 thereto, and watering of livestock;

170 (n) Omitted;

171 (o) "Municipal and Industrial (M&I) Water" shall mean Project Water, other than
172 Irrigation Water, made available to the Contractor. M&I Water shall include water used for human
173 use and purposes such as the watering of landscaping or pasture for animals (e.g., horses) which are
174 kept for personal enjoyment or water delivered to land holdings operated in units of less than five
175 acres unless the Contractor establishes to the satisfaction of the Contracting Officer that the use of
176 water delivered to any such landholding is a use described in subdivision (m) of this Article;

177 (p) "M&I Full Cost Water Rate" shall mean the Full Cost Rate applicable to the
178 delivery of M&I Water;

179 (q) "Operation and Maintenance" or "O&M" shall mean normal and reasonable
180 care, control, operation, repair, replacement (other than capital replacement), and maintenance of
181 Project facilities;

182 (r) Omitted;

183 (s) "Project" shall mean the Central Valley Project owned by the United States
184 and managed by the Department of the Interior, Bureau of Reclamation;

185 (t) "Project Contractors" shall mean all parties who have water service contracts
186 for Project Water from the Project with the United States pursuant to Federal Reclamation law;

187 (u) "Project Water" shall mean all water that is developed, diverted, stored, or
188 delivered by the Secretary in accordance with the statutes authorizing the Project and in accordance
189 with the terms and conditions of water rights acquired pursuant to California law;

190 (v) "Rates" shall mean the payments determined annually by the Contracting
191 Officer in accordance with the then-current applicable water ratesetting policies for the Project, as
192 described in subdivision (a) of Article 7 of this Contract;

193 (w) "Recent Historic Average" shall mean the most recent five-year average of the
194 final forecast of Water Made Available to the Contractor pursuant to this Contract or its preceding
195 contract(s);

196 (x) "Secretary" shall mean the Secretary of the Interior, a duly appointed

197 successor, or an authorized representative acting pursuant to any authority of the Secretary and
198 through any agency of the Department of the Interior;

199 (y) "Tiered Pricing Component" shall be the incremental amount to be paid for
200 each acre-foot of Water Delivered as described in subdivision (j) of Article 7 of this Contract;

201 (z) "Water Delivered" or "Delivered Water" shall mean Project Water diverted for
202 use by the Contractor at the point(s) of delivery approved by the Contracting Officer;

203 (aa) "Water Made Available" shall mean the estimated amount of Project Water
204 that can be delivered to the Contractor for the upcoming Year as declared by the Contracting Officer,
205 pursuant to subdivision (a) of Article 4 of this Contract;

206 (bb) "Water Scheduled" shall mean Project Water made available to the Contractor
207 for which times and quantities for delivery have been established by the Contractor and Contracting
208 Officer, pursuant to subdivision (b) of Article 4 of this Contract; and

209 (cc) "Year" shall mean the period from and including March 1 of each Calendar
210 Year through the last day of February of the following Calendar Year.

211 TERM OF CONTRACT

212 2. (a) This Contract shall be effective March 1, 2005, through February 28, 2045,
213 and supersedes the Existing Contract. In the event the Contractor wishes to renew this Contract
214 beyond February 28, 2045, the Contractor shall submit a request for renewal in writing to the
215 Contracting Officer no later than two years prior to the date this Contract expires.

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216 (b) Omitted.

217 (c) This Contract shall be renewed for successive periods of up to 40 years each,
218 which periods shall be consistent with the then-existing Reclamation-wide policy, under terms and
219 conditions mutually agreeable to the parties and consistent with Federal and State law. The
220 Contractor shall be afforded the opportunity to comment to the Contracting Officer on the proposed
221 adoption and application of any revised policy applicable to the delivery of M&I Water that would
222 limit the term of any subsequent renewal contract with the Contractor for the furnishing of M&I

223 Water to less than 40 years.

224 (d) The Contracting Officer shall make a determination ten years after the date of
225 execution of this Contract, and every five years thereafter during the term of this Contract, of whether
226 a conversion to a contract under subsection 9(c)(1) of Section 9 of the Reclamation Project Act of
227 1939 can be accomplished. The Contracting Officer anticipates that during the term of this Contract,
228 all authorized Project construction expected to occur will have occurred, and on that basis the
229 Contracting Officer agrees upon such completion to allocate all costs that are properly assignable to
230 the Contractor, and agrees further that, at any time after such allocation is made, and subject to
231 satisfaction of the conditions set out in this subdivision of this Article, this Contract shall, at the
232 request of the Contractor, be converted to a contract under subsection 9 (c)(1) of the Reclamation
233 Project Act of 1939, subject to applicable Federal law and under stated terms and conditions mutually
234 agreeable to the Contractor and the Contracting Officer. A condition for such conversion to occur
235 shall be a determination by the Contracting Officer that, account being taken of the amount credited
236 to return by the Contractor as provided for under Federal Reclamation law, the remaining amount of
237 construction costs assignable for ultimate return by the Contractor can probably be repaid to the
238 United States within the term of a contract under said subsection (c)(1) of Section 9. If the remaining
239 amount of costs that are properly assignable to the Contractor cannot be determined during the term
240 of this Contract, the Contracting Officer shall notify the Contractor, and provide the reason(s) why
241 such a determination could not be made. Further, the Contracting Officer shall make such a
242 determination as soon thereafter as possible so as to permit, upon request of the Contractor and
243 satisfaction of the conditions set out above, conversion to a contract under subsection (c)(1) of
244 Section 9. In the event such determination of costs has not been made at a time which allows
245 conversion of this Contract during the term of this Contract or the Contractor has not requested
246 conversion of this Contract within such term, the parties shall incorporate in any subsequent renewal
247 contract as described in subdivision (c) of this Article a provision that carries forth in substantially

248 identical terms the provisions of this subdivision.

249 WATER TO BE MADE AVAILABLE AND DELIVERED TO THE CONTRACTOR

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250 3. (a) During each Year, consistent with all applicable State water rights, permits,
251 and licenses, Federal law, and subject to the provisions set forth in Articles 3(b), 11 and 12 of this
252 Contract, the Contracting Officer shall make available for delivery to the Contractor 24,200 acre-feet
253 of Project Water for M&I purposes. Water Delivered to the Contractor in accordance with this
254 subdivision shall be scheduled and paid for pursuant to the provisions of Articles 4 and 7 of this
255 Contract.

256 (b) Because the capacity of the Project to deliver Project Water has been
257 constrained in recent years and may be constrained in the future due to many factors including
258 hydrologic conditions and implementation of Federal and State laws, the likelihood of the Contractor
259 actually receiving the amount of Project Water set out in subdivision (a) of this Article in any given
260 Year is uncertain. The Contracting Officer's modeling referenced in the PEIS projected that the
261 Contract Total set forth in this Contract will not be available to the Contractor in many years. During
262 the most recent five years, the Recent Historic Average of Water Made Available to the Contractor
263 was 10,864 acre-feet (based on the non-P.L. 101-514 CVP Contract total of 11,200 acre feet).
264 Nothing in subdivision (b) of this Article shall affect the rights and obligations of the parties under
265 any provision of this Contract.

266 (c) The Contractor shall utilize the Project Water in accordance with all applicable
267 legal requirements.

268 (d) The Contractor shall make reasonable and beneficial use of all water furnished
269 pursuant to this Contract. Groundwater recharge programs (direct, indirect, or in lieu), groundwater
270 banking programs, surface water storage programs, and other similar programs utilizing Project
271 Water, Contractor's Water Rights Water, or other water furnished pursuant to this Contract
272 conducted within the Contractor's Service Area which are consistent with applicable State law and
273 result in use consistent with Federal Reclamation law will be allowed; Provided, That any direct

274 recharge program(s) is (are) described in the Contractor's water conservation plan submitted pursuant
275 to Article 26 of this Contract; Provided, further, That such water conservation plan demonstrates
276 sufficient lawful uses exist in the Contractor's Service Area so that using a long-term average, the
277 quantity of Delivered Water is demonstrated to be reasonable for such uses and in compliance with
278 Federal Reclamation Law. Groundwater recharge programs, groundwater banking programs, surface
279 water storage programs, and other similar programs utilizing Project Water, Contractor's Water
280 Rights Water, or other water furnished pursuant to this Contract conducted outside the Contractor's
281 Service Area may be permitted upon written approval of the Contracting Officer, which approval will
282 be based upon environmental documentation, Project Water rights, and Project operational concerns.
283 The Contracting Officer will address such concerns in regulations, policies, or guidelines.

284 (e) The Contractor shall comply with requirements applicable to the Contractor in
285 biological opinion(s) prepared as a result of a consultation regarding the execution of this Contract
286 undertaken pursuant to Section 7 of the Endangered Species Act of 1973 (ESA), as amended, that are
287 within the Contractor's legal authority to implement. The Existing Contract, which evidences in
288 excess of 40 years of diversions for M&I purposes of the quantities of water provided in subdivision
289 (a) of Article 3 of this Contract, will be considered in developing an appropriate baseline for the
290 biological assessment(s) prepared pursuant to the ESA, and any other needed environmental review.
291 Nothing herein shall be construed to prevent the Contractor from challenging or seeking judicial
292 relief in a court of competent jurisdiction with respect to any biological opinion or other
293 environmental documentation referred to in this Article.

294 (f) Following the declaration of Water Made Available under Article 4 of this
295 Contract, the Contracting Officer will make a determination whether Project Water, or other water
296 available to the Project, can be made available to the Contractor in addition to the Contract Total
297 under Article 3 of this Contract during the Year without adversely impacting other Project
298 Contractors. At the request of the Contractor, the Contracting Officer will consult with the
299 Contractor prior to making such a determination. If the Contracting Officer determines that Project

300 Water, or other water available to the Project, can be made available to the Contractor, the
301 Contracting Officer will announce the availability of such water and shall so notify the Contractor as
302 soon as practical. The Contracting Officer will thereafter meet with the Contractor and other Project
303 Contractors capable of taking such water to determine the most equitable and efficient allocation of
304 such water. If the Contractor requests the delivery of any quantity of such water, the Contracting
305 Officer shall make such water available to the Contractor in accordance with applicable statutes,
306 regulations, guidelines, and policies.

307 (g) The Contractor may request permission to reschedule for use during the
308 subsequent Year some or all of the Water Made Available to the Contractor during the current Year
309 referred to as “carryover.” The Contractor may request permission to use during the current Year a
310 quantity of Project Water which may be made available by the United States to the Contractor during
311 the subsequent Year referred to as “preuse.” The Contracting Officer’s written approval may permit
312 such uses in accordance with applicable statutes, regulations, guidelines, and policies.

313 (h) The Contractor’s right pursuant to Federal Reclamation law and applicable
314 State law to the reasonable and beneficial use of Water Delivered pursuant to this Contract during the
315 term thereof and any subsequent renewal contracts, as described in Article 2 of this Contract, during
316 the terms thereof shall not be disturbed so long as the Contractor shall fulfill all of its obligations
317 under this Contract and any renewals thereof. Nothing in the preceding sentence shall affect the
318 Contracting Officer’s ability to impose shortages under Article 11 or subdivision (b) of Article 12 of
319 this Contract or applicable provisions of any subsequent renewal contracts.

320 (i) Project Water furnished to the Contractor pursuant to this Contract may be
321 delivered for purposes other than those described in subdivision (o) of Article 1 of this Contract upon
322 written approval by the Contracting Officer in accordance with the terms and conditions of such
323 approval.

324 (j) The Contracting Officer shall make reasonable efforts to protect the water
325 rights necessary for the Project and to provide the water available under this Contract. The

326 Contracting Officer shall not object to participation by the Contractor, in the capacity and to the
327 extent permitted by law, in administrative proceedings related to the Project Water rights; Provided,
328 That the Contracting Officer retains the right to object to the substance of the Contractor's position in
329 such a proceeding; Provided further, That in such proceedings the Contracting Officer shall recognize
330 the Contractor has a legal right under the terms of this Contract to use Project Water.

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331 TIME FOR DELIVERY OF WATER

332 4. (a) On or about February 20 of each Calendar Year, the Contracting Officer shall
333 announce the Contracting Officer's expected declaration of the Water Made Available. Such
334 declaration will be expressed in terms of both Water Made Available and the Recent Historic
335 Average and will be updated monthly, and more frequently if necessary, based on then-current
336 operational and hydrologic conditions and a new declaration with changes, if any, to the Water Made
337 Available will be made. The Contracting Officer shall provide forecasts of Project operations and the
338 basis of the estimate, with relevant supporting information, upon the written request of the
339 Contractor. Concurrently with the declaration of the Water Made Available, the Contracting Officer
340 shall provide the Contractor with the updated Recent Historic Average.

341 (b) On or before each March 1 and at such other times as necessary, the Contractor
342 shall submit to the Contracting Officer a written schedule, satisfactory to the Contracting Officer,
343 showing the monthly quantities of Project Water and Contractor's Water Rights Water to be
344 delivered by the United States to the Contractor pursuant to this Contract for the Year commencing
345 on such March 1. The Contracting Officer shall use all reasonable means to deliver Project Water
346 and Contractor's Water Rights Water according to the approved schedule for the Year commencing
347 on such March 1.

348 (c) The Contractor shall not schedule Project Water and/or Contractor's Water
349 Rights Water in excess of the quantity of such waters the Contractor intends to put to reasonable and
350 beneficial use within the Contractor's Service Area or to sell, transfer or exchange pursuant to
351 Article 9 of this Contract during any Year.

352 (d) Subject to the conditions set forth in subdivision (a) of Article 3 of this
353 Contract, the United States shall deliver Project Water and Contractor's Water Rights Water to the
354 Contractor in accordance with the initial schedule submitted by the Contractor pursuant to
355 subdivision (b) of this Article, or any written revision(s), satisfactory to the Contracting Officer,
356 thereto submitted within a reasonable time prior to the date(s) on which the requested change(s)
357 is/are to be implemented.

358 POINT OF DIVERSION AND RESPONSIBILITY FOR DISTRIBUTION OF WATER

359 5. (a) Project Water scheduled pursuant to subdivision (b) of Article 4 of this
360 Contract and the Contractor's Water Rights Water shall be delivered to the Contractor at the
361 Contractor's Water Treatment Plant and any additional point or points of delivery either on Project
362 facilities or another location or locations mutually agreed to in writing by the Contracting Officer and
363 the Contractor.

364 (b) Omitted.

365 (c) The Contractor shall not deliver Project Water to land outside the Contractor's
366 Service Area unless approved in advance by the Contracting Officer.

367 (d) All Water Delivered to the Contractor pursuant to this Contract shall be
368 measured and recorded with equipment furnished, installed, operated, and maintained by the United
369 States, or other appropriate entity as designated by the Contracting Officer at the point or points of
370 delivery established pursuant to subdivision (a) of this Article. Upon the request of either party to
371 this Contract, the Contracting Officer shall investigate, or cause to be investigated, the accuracy of
372 such measurements and shall take any necessary steps to adjust any errors appearing therein. For any
373 period of time when accurate measurements have not been made, the Contracting Officer shall
374 consult with the Contractor prior to making a final determination of the quantity delivered for that
375 period of time.

376 (e) The Contracting Officer shall not be responsible for the control, carriage,

377 handling, use, disposal, or distribution of Water Delivered and/or Contractor's Water Rights Water
378 Delivered to the Contractor pursuant to this Contract beyond the delivery points specified in
379 subdivision (a) of this Article. The Contractor shall indemnify the United States, its officers,
380 employees, agents, and assigns on account of damage or claim of damage of any nature whatsoever
381 for which there is legal responsibility, including property damage, personal injury, or death arising
382 out of or connected with the control, carriage, handling, use, disposal, or distribution of such Water
383 Delivered and/or Contractor's Water Rights Water Delivered beyond such delivery points, except for
384 any damage or claim arising out of: (i) acts or omissions of the Contracting Officer or any of its
385 officers, employees, agents, or assigns with the intent of creating the situation resulting in any
386 damage or claim; (ii) willful misconduct of the Contracting Officer or any of its officers, employees,
387 agents, or assigns; (iii) negligence of the Contracting Officer or any of its officers, employees, agents,
388 or assigns; or (iv) damage or claims resulting from a malfunction of facilities owned and/or operated
389 by the United States.

390 (f) Solely for the purposes of accounting required by this Contract, if the total
391 amount of water delivered to the Contractor in a given day is 149 acre-feet or less, all such water, not
392 to exceed 33,000 acre-feet per Calendar Year, shall be considered to be the Contractor's Water
393 Rights Water and shall not be subject to the Rates and Charges defined in this Contract except those
394 charges provided for in subdivision (n) of Article 7 of this Contract. All water delivered to the
395 Contractor in a given day in excess of 149 acre-feet shall be considered to be Delivered Water and
396 shall be subject to the Rates and Charges provided for in Article 7 hereof.

397 MEASUREMENT OF WATER WITHIN THE SERVICE AREA

398 6. (a) The Contractor has established an measuring program satisfactory to the
399 Contracting Officer, the Contractor shall ensure that all surface water delivered for M&I purposes is
400 measured at each M&I service connection. The water measuring devices or water measuring
401 methods of comparable effectiveness must be acceptable to the Contracting Officer. The Contractor
402 shall be responsible for installing, operating, and maintaining and repairing all such measuring

403 devices and implementing all such water measuring methods at no cost to the United States. The
404 Contractor shall use the information obtained from such water measuring devices or water measuring
405 methods to ensure its proper management of the water, to bill water users for water delivered by the
406 Contractor; and, if applicable, to record water delivered for M&I purposes by customer class as
407 defined in the Contractor's water conservation plan provided for in Article 26 of this Contract.
408 Nothing herein contained, however, shall preclude the Contractor from establishing and collecting
409 any charges, assessments, or other revenues authorized by California law. The Contractor shall
410 include a summary of all its annual surface water deliveries in the annual report described in
411 subdivision (c) of Article 26.

412 (b) To the extent the information has not otherwise been provided, upon execution
413 of this Contract, the Contractor shall provide to the Contracting Officer a written report describing
414 the measurement devices or water measuring methods being used or to be used to implement
415 subdivision (a) of this Article and identifying the M&I service connections or alternative
416 measurement programs approved by the Contracting Officer, at which such measurement devices or
417 water measuring methods are being used, and, if applicable, identifying the locations at which such
418 devices and/or methods are not yet being used including a time schedule for implementation at such
419 locations. The Contracting Officer shall advise the Contractor in writing within 60 days as to the
420 adequacy of, and necessary modifications, if any, of the measuring devices or water measuring
421 methods identified in the Contractor's report and if the Contracting Officer does not respond in such
422 time, they shall be deemed adequate. If the Contracting Officer notifies the Contractor that the
423 measuring devices or methods are inadequate, the parties shall within 60 days following the
424 Contracting Officer's response, commence to negotiate in good faith how, and the earliest practicable
425 date by which, the Contractor shall modify said measuring devices and/or measuring methods as
426 required by the Contracting Officer to ensure compliance with subdivision (a) of this Article.

427 (c) All new surface water delivery systems installed within the Contractor's
428 Service Area after the effective date of this Contract shall also comply with the measurement

429 provisions described in subdivision (a) of this Article.

430 (d) The Contractor shall inform the Contracting Officer and the State of California
431 in writing by April 30 of each Year of the monthly volume of surface water delivered within the
432 Contractor's Service Area during the previous Year.

433 (e) The Contractor shall inform the Contracting Officer on or before the 20th
434 calendar day of each month of the quantity of M&I Water taken during the preceding month.

435 RATES AND METHOD OF PAYMENT FOR WATER

436 7. (a) The Contractor shall pay the United States as provided in this Article for all
437 Delivered Water at Rates, Charges, and the Tiered Pricing Component established in accordance
438 with: (i) the Secretary's then-existing ratesetting policy for M&I Water, which ratesetting policies
439 shall be amended, modified, or superseded only through a public notice and comment procedure; (ii)
440 applicable Federal Reclamation law and associated rules and regulations, or policies; and (iii) other
441 applicable provisions of this Contract. Payments shall be made by cash transaction, electronic funds
442 transfer, or any other mechanism as may be agreed to in writing by the Contractor and the
443 Contracting Officer. The Rates, Charges, and Tiered Pricing Component applicable to the Contractor
444 upon execution of this Contract are set forth in Exhibit "B", as may be revised annually.

445 (b) The Contracting Officer shall notify the Contractor of the Rates, Charges, and
446 Tiered Pricing Component as follows:

447 (1) Prior to July 1 of each Calendar Year, the Contracting Officer shall
448 provide the Contractor an estimate of the Charges for Project Water that will be applied to the period
449 October 1, of the current Calendar Year, through September 30, of the following Calendar Year, and
450 the basis for such estimate. The Contractor shall be allowed not less than two months to review and
451 comment on such estimates. On or before September 15 of each Calendar Year, the Contracting
452 Officer shall notify the Contractor in writing of the Charges to be in effect during the period
453 October 1 of the current Calendar Year, through September 30, of the following Calendar Year, and
454 such notification shall revise Exhibit "B."

455 (2) Prior to October 1 of each Calendar Year, the Contracting Officer shall
456 make available to the Contractor an estimate of the Rates and Tiered Pricing Component for Project
457 Water for the following Year and the computations and cost allocations upon which those Rates are
458 based. The Contractor shall be allowed not less than two months to review and comment on such
459 computations and cost allocations. By December 31 of each Calendar Year, the Contracting Officer
460 shall provide the Contractor with the final Rates and Tiered Pricing Component to be in effect for the
461 upcoming Year, and such notification shall revise Exhibit "B".

462 (c) At the time the Contractor submits the initial schedule for the delivery of
463 Project Water and /or Contractor's Water Rights Water for each Year pursuant to subdivision (b) of
464 Article 4 of this Contract, the Contractor shall make an advance payment to the United States equal
465 to the total amount payable pursuant to the applicable Rate(s) set under subdivision (a) of this
466 Article, for the Project Water and/or Contractor's Water Rights Water scheduled to be delivered
467 pursuant to this Contract during the first two calendar months of the Year. Before the end of the first
468 month and before the end of each calendar month thereafter, the Contractor shall make an advance
469 payment to the United States, at the Rate(s) set under subdivision (a) of this Article, for the Water
470 Scheduled to be delivered pursuant to this Contract during the second month immediately following.
471 Adjustments between advance payments for Water Scheduled and payments at Rates due for Water
472 Delivered shall be made before the end of the following month; Provided, That any revised schedule
473 submitted by the Contractor pursuant to Article 4 of this Contract which increases the amount of
474 Water Delivered pursuant to this Contract during any month shall be accompanied with appropriate
475 advance payment, at the Rates then in effect, to assure that Project Water and/or Contractor's Water
476 Rights Water is not delivered to the Contractor in advance of such payment. In any month in which
477 the quantity of Water Delivered to the Contractor pursuant to this Contract equals the quantity of
478 Water Scheduled and paid for by the Contractor, no additional Project Water and/or Contractor's
479 Water Rights Water shall be delivered to the Contractor unless and until an advance payment at the

480 Rates then in effect for such additional Project Water and/or Contractor's Water Rights Water is
481 made. Final adjustment between the advance payments for the Water Scheduled and payments for
482 the quantities of Water Delivered during each Year pursuant to this Contract shall be made as soon as
483 practicable but no later than

484 April 30th of the following Year, or 60 days after the delivery of Project Water carried over under
485 subdivision (f) of Article 3 of this Contract if such water is not delivered by the last day of February.

486 (d) The Contractor shall also make a payment in addition to the Rate(s) in
487 subdivision (c) of this Article to the United States for Water Delivered, at the Charges and the
488 appropriate Tiered Pricing Component then in effect, before the end of the month following the
489 month of delivery. The payments shall be consistent with the quantities of M&I Water Delivered as
490 shown in the water delivery report for the subject month prepared by the Contracting Officer. The
491 water delivery report shall be deemed a bill for the payment of Charges and the applicable Tiered
492 Pricing Component for Water Delivered. Adjustment for overpayment or underpayment of Charges
493 shall be made through the adjustment of payments due to the United States for Charges for the next
494 month. Any amount to be paid for past due payment of Charges and the Tiered Pricing Component
495 shall be computed pursuant to Article 20 of this Contract.

496 (e) The Contractor shall pay for any Water Delivered under subdivision (a), (f), or
497 (g) of Article 3 of this Contract as determined by the Contracting Officer pursuant to applicable
498 statutes, associated regulations, any applicable provisions of guidelines or ratesetting policies;
499 Provided, That the Rate for Water Delivered under subdivision (f) of Article 3 of this Contract shall
500 be no more than the otherwise applicable Rate for M&I Water under subdivision (a) of this Article.

501 (f) Payments to be made by the Contractor to the United States under this
502 Contract may be paid from any revenues available to the Contractor.

503 (g) All revenues received by the United States from the Contractor relating to the
504 delivery of Project Water or the delivery of non-Project water through Project facilities shall be
505 allocated and applied in accordance with Federal Reclamation law and the associated rules or

506 regulations, and the then-current Project ratesetting policy for M&I Water.

507 (h) The Contracting Officer shall keep its accounts pertaining to the administration
508 of the financial terms and conditions of its long-term contracts, in accordance with applicable Federal
509 standards, so as to reflect the application of Project costs and revenues. The Contracting Officer
510 shall, each Year upon request of the Contractor, provide to the Contractor a detailed accounting of all
511 Project and Contractor expense allocations, the disposition of all Project and Contractor revenues,
512 and a summary of all water delivery information. The Contracting Officer and the Contractor shall
513 enter into good faith negotiations to resolve any discrepancies or disputes relating to accountings,
514 reports, or information.

515 (i) The parties acknowledge and agree that the efficient administration of this
516 Contract is their mutual goal. Recognizing that experience has demonstrated that mechanisms,
517 policies, and procedures used for establishing Rates, Charges, and Tiered Pricing Components,
518 and/or for making and allocating payments, other than those set forth in this Article may be in the
519 mutual best interest of the parties, it is expressly agreed that the parties may enter into agreements to
520 modify the mechanisms, policies, and procedures for any of those purposes while this Contract is in
521 effect without amending this Contract.

522 (j) (1) Beginning at such time as deliveries of Project Water in a Year exceed
523 80 percent of the Contract Total, then before the end of the month following the month of delivery
524 the Contractor shall make an additional payment to the United States equal to the applicable Tiered
525 Pricing Component. The Tiered Pricing Component for the amount of Water Delivered in excess of
526 80 percent of the Contract Total, but less than or equal to 90 percent of the Contract Total, shall equal
527 one-half of the difference between the Rate established under subdivision (a) of this Article and the
528 M&I Full Cost Water Rate. The Tiered Pricing Component for the amount of Water Delivered which
529 exceeds 90 percent of the Contract Total shall equal the difference between (i) the Rate established
530 under subdivision (a) of this Article and (ii) the M&I Full Cost Water Rate.

531 (2) Omitted.

532 (3) For purposes of determining the applicability of the Tiered Pricing
533 Component pursuant to this Article, Water Delivered shall include Project Water that the Contractor
534 transfers to others but shall not include Project Water transferred to the Contractor, nor shall it
535 include the additional water provided to the Contractor under the provisions of subdivision (f) of
536 Article 3 of this Contract.

537 (k) For the term of this Contract, Rates under the respective ratesetting policies
538 will be established to recover only reimbursable O&M (including any deficits) and capital costs of
539 the Project, as those terms are used in the then-current Project ratesetting policies, and interest, where
540 appropriate, except in instances where a minimum Rate is applicable in accordance with the relevant
541 Project ratesetting policy. Changes of significance in practices which implement the Contracting
542 Officer's ratesetting policies will not be implemented until the Contracting Officer has provided the
543 Contractor an opportunity to discuss the nature, need, and impact of the proposed change.

544 (l) Except as provided in subsections 3405(a)(1)(B) and 3405(f) of the CVPIA,
545 the Rates for Project Water transferred by the Contractor shall be the Contractor's Rates adjusted
546 upward or downward to reflect the changed costs, if any, incurred by the Contracting Officer in the
547 delivery of the transferred Project Water to the transferee's point of delivery in accordance with the
548 then-applicable Project ratesetting policy.

549 (m) Omitted.

550 (n) The Contractor shall be responsible for the payment for all incremental power
551 required to pump Project Water and the Contractor's Water Rights Water to the Contractor's Water
552 Treatment Plant in lieu of Hinkle Reservoir. Each month, the Contracting Officer will determine the
553 quantity of said incremental power used during the preceding month and provide the number of
554 kilowatt-hours so used to the supplier of the incremental power and the Contractor.

555 (o) With respect to the Rates for M&I water, the Contractor asserts that it is not

556 legally obligated to pay any Project deficits claimed by the United States to have accrued as of the
557 date of this Contract or deficit-related interest charges thereon. By entering into this Contract, the
558 Contractor does not waive any legal rights or remedies that it may have with respect to such disputed
559 issues. Notwithstanding the execution of this Contract, and payments made hereunder, the
560 Contractor may challenge in the appropriate administrative or judicial forums: (1) the existence,
561 computation, or imposition of any deficit charges accruing during the term of the Existing Contract
562 and any preceding interim renewal contracts, if applicable; (2) interest accruing on any such deficits;
563 (3) the inclusion of any such deficit charges or interest in the Rates; (4) the application by the United
564 States of payments made by the Contractor under its Existing Contract and any preceding interim
565 renewal contract, if applicable; and (5) the application of such payments in the Rates. The
566 Contracting Officer agrees that the Contractor shall be entitled to the benefit of any administrative or
567 judicial ruling in favor of any other Project M&I contractor on any of these issues, and credits for
568 payments heretofore made, Provided, That the basis for such ruling is applicable to the Contractor.

569 (p) The Contractor and the Contracting Officer concur that, as of the effective date
570 of this Contract, there is no O&M deficit under the P.L. 101-514 CVP Contract.

571 8. Omitted.

572 SALES, TRANSFERS, OR EXCHANGES OF WATER

573 9. (a) The right to receive Project Water provided for in this Contract may be sold,
574 transferred, or exchanged to others for reasonable and beneficial uses within the State of California if
575 such sale, transfer, or exchange is authorized by applicable Federal and State laws, and applicable
576 guidelines or regulations then in effect; Provided, That the portion of the Contract Total originally
577 attributable to the P.L. 101-514 CVP Contract (13,000 acre-feet) may only be sold, transferred or
578 exchanged to others for reasonable and beneficial uses within the Counties of Sacramento and El
579 Dorado, State of California. No sale, transfer, or exchange of Project Water under this Contract may
580 take place without the prior written approval of the Contracting Officer, except as provided for in
581 subdivision (b) of this Article, and no such sales, transfers, or exchanges shall be approved absent all

582 appropriate environmental documentation, including but not limited to documents prepared pursuant
583 to NEPA and ESA . Such environmental documentation should include, as appropriate, an analysis
584 of groundwater impacts and economic and social effects, including environmental justice, of the
585 proposed water transfers on both the transferor and transferee.

586 (b) In order to facilitate efficient water management, among Project Contractors
587 located within the same geographical area, by means of water transfers and to allow the Contractor to
588 participate in an accelerated water transfer program during the term of this Contract, the Contracting
589 Officer shall prepare, as appropriate, all necessary environmental documentation including, but not
590 limited to documents prepared pursuant to NEPA and ESA analyzing annual transfers within such
591 geographical areas and the Contracting Officer shall determine whether such transfers comply with
592 applicable law. Following the completion of the environmental documentation, such transfers
593 addressed in such documentation shall be conducted with advance notice to the Contracting Officer,
594 but shall not require prior written approval by the Contracting Officer. Such environmental
595 documentation and the Contracting Officer's compliance determination shall be reviewed every five
596 years and updated, as necessary, prior to the expiration of the then-existing five-year period. All
597 subsequent environmental documentation shall include an alternative to evaluate not less than the
598 quantity of Project Water historically transferred within the same geographical area.

599 (c) For a water transfer to qualify under subdivision (b) of this Article, such water
600 transfer must: (i) be for irrigation purposes for lands irrigated within the previous three years, or to
601 be delivered to established cropland, wildlife refuges, groundwater basins or M&I use; (ii) occur
602 within a single Year; (iii) occur between a willing seller and a willing buyer; (iv) convey water
603 through existing Project facilities with no new construction or modifications to Project facilities and
604 be between existing Project Contractors and/or the Contractor and the United States, Department of
605 the Interior; and (v) comply with all applicable Federal, State, and local or tribal laws and
606 requirements imposed for protection of the environment and Indian Trust Assets, as defined under
607 Federal law. Such water transfers must not lead to land conversion.

608 (d) Solely for the purpose of determining whether Section 3405(a)(1)(M) of the
609 CVPIA applies to the Contractor as a transferor or transferee of Project Water, the Contracting
610 Officer acknowledges that the Contractor is within a county, watershed or other area of origin, as
611 those terms are utilized under California law, of water that constitutes the natural flow of the
612 American River and its tributaries above the confluence of the American and Sacramento Rivers.

613 APPLICATION OF PAYMENTS AND ADJUSTMENTS

614 10. (a) The amount of any overpayment by the Contractor of the Contractor's O&M,
615 capital, interest and deficit (if any) obligations for the Year shall be applied first to any current
616 liabilities of the Contractor arising out of this Contract then due and payable. Overpayments of more
617 than \$1,000 shall be refunded at the Contractor's request. In lieu of a refund, any amount of such
618 overpayment, at the option of the Contractor, may be credited against amounts to become due to the
619 United States by the Contractor. With respect to overpayment, such refund or adjustment shall
620 constitute the sole remedy of the Contractor or anyone having or claiming to have the right to the use
621 of any of the Project Water supply provided for herein. All credits and refunds of overpayments shall
622 be made within 30 days of the Contracting Officer obtaining direction as to how to credit or refund
623 such overpayment in response to the notice to the Contractor that it has finalized the accounts for the
624 Year in which the overpayment was made.

625 (b) All advances for miscellaneous costs incurred for work requested by the
626 Contractor pursuant to Article 25 of this Contract shall be adjusted to reflect the actual costs when
627 the work has been completed. If the advances exceed the actual costs incurred, the difference will be
628 refunded to the Contractor. If the actual costs exceed the Contractor's advances, the Contractor will
629 be billed for the additional costs pursuant to Article 25.

630 TEMPORARY REDUCTIONS--RETURN FLOWS

631 11. (a) Subject to: (i) the authorized purposes and priorities of the Project and the
632 requirements of Federal law and (ii) the obligations of the United States under existing contracts, or
633 renewals thereof, providing for water deliveries from the Project, the Contracting Officer shall make

634 all reasonable efforts to optimize Project Water deliveries to the Contractor as provided in this
635 Contract.

636 (b) The Contracting Officer may temporarily discontinue or reduce the quantity of
637 Water Delivered to the Contractor as herein provided for the purposes of investigation, inspection,
638 maintenance, repair, or replacement of any of the Project facilities or any part thereof necessary for
639 the delivery of Project Water and/or Contractor's water Rights Water to the Contractor, but so far as
640 feasible the Contracting Officer will give the Contractor due notice in advance of such temporary
641 discontinuance or reduction, except in case of emergency, in which case no notice need be given;
642 Provided, That the United States shall use its best efforts to avoid any discontinuance or reduction in
643 such service. Upon resumption of service after such reduction or discontinuance, and if requested by
644 the Contractor, the United States will, if possible, deliver the quantity of Project Water and/or
645 Contractor's Water Rights Water which would have been delivered hereunder in the absence of such
646 discontinuance or reduction.

647 (c) The United States reserves the right to all seepage and return flow water
648 derived from Water Delivered to the Contractor hereunder which escapes or is discharged beyond the
649 Contractor's Service Area; Provided, That this shall not be construed as claiming for the United
650 States any right to seepage or return flow being put to reasonable and beneficial use pursuant to this
651 Contract within the Contractor's Service Area by the Contractor or those claiming by, through, or
652 under the Contractor.

653 CONSTRAINTS ON THE AVAILABILITY OF WATER

654 12. (a) In its operation of the Project, the Contracting Officer will use all reasonable
655 means to guard against a Condition of Shortage in the quantity of water to be made available to the
656 Contractor pursuant to this long-term renewal Contract. In the event the Contracting Officer
657 determines that a Condition of Shortage appears probable, the Contracting Officer will notify the
658 Contractor of said determination as soon as practicable.

659 (b) If there is a Condition of Shortage because of errors in physical operations of

660 the Project, drought, other physical causes beyond the control of the Contracting Officer or actions
661 taken by the Contracting Officer to meet legal obligations then, except as provided in subdivision (a)
662 of Article 18 of this Contract, no liability shall accrue against the United States or any of its officers,
663 agents, or employees for any damage, direct or indirect, arising therefrom.

664 (c) Omitted.

665 (d) Project Water furnished under this Contract will be allocated in accordance
666 with the then-existing Project M&I Water Shortage Policy. Such policy shall be amended, modified,
667 or superseded only through a public notice and comment procedure.

668 13. Omitted.

669 RULES AND REGULATIONS

670 14. The parties agree that the delivery of M&I water or use of Federal facilities pursuant
671 to this Contract is subject to Federal Reclamation law, as amended and supplemented, and the rules
672 and regulations promulgated by the Secretary of the Interior under Federal Reclamation law.

673 WATER AND AIR POLLUTION CONTROL

674 15. The Contractor, in carrying out this Contract, shall comply with all applicable water
675 and air pollution laws and regulations of the United States and the State of California, and shall
676 obtain all required permits or licenses from the appropriate Federal, State, or local authorities.

677 QUALITY OF WATER

678 16. (a) Project facilities used to deliver Project Water to the Contractor pursuant to
679 this Contract shall be operated and maintained to enable the United States to deliver Project Water to
680 the Contractor in accordance with the water quality standards specified in subsection 2(b) of the Act
681 of August 26, 1937 (50 Stat. 865), as added by Section 101 of the Act of October 27, 1986 (100 Stat.
682 3050), or other existing Federal laws. The United States is under no obligation to construct or
683 furnish water treatment facilities to maintain or to improve the quality of Water Delivered to the
684 Contractor pursuant to this Contract. The United States does not warrant the quality of Water
685 Delivered to the Contractor pursuant to this Contract.

686 (b) The O&M of Project facilities shall be performed in such manner as is
687 practicable to maintain the quality of raw water made available through such facilities at the highest
688 level reasonably attainable as determined by the Contracting Officer. The Contractor shall be
689 responsible for compliance with all State and Federal water quality standards applicable to surface
690 and subsurface agricultural drainage discharges, if any, generated through the use of Federal or
691 Contractor facilities or Project Water provided by the Contractor within the Contractor's Service
692 Area.

693 (c) The Contracting Officer and the Contractor shall communicate, coordinate and
694 cooperate with each other with respect to the operation and management of the Project by the United
695 States in accordance with Articles 11 and 19 of this Contract.

696 WATER ACQUIRED BY THE CONTRACTOR
697 OTHER THAN FROM THE UNITED STATES

698 17. (a) Omitted.

699 (b) Water or water rights now owned or hereafter acquired by the Contractor,
700 other than from the United States may be stored, conveyed and/or diverted through Project facilities,
701 subject to the completion of appropriate environmental documentation, with the approval of the
702 Contracting Officer and the execution of any contract determined by the Contracting Officer to be
703 necessary, consistent with the following provisions:

704 (1) The Contractor may introduce non-Project water into Project facilities
705 and deliver said water to lands within the Contractor's Service Area, subject to payment to the United
706 States of an appropriate rate as determined by the applicable Project ratesetting policy and the Project
707 use power policy, if such Project use power policy is applicable, each as amended, modified or
708 superseded from time to time. In addition, if electrical power is required to pump non-Project water
709 through the facilities, the Contractor shall be responsible for obtaining the necessary power and
710 paying the necessary charges therefor.

711 (2) Delivery of such non-Project water in and through Project facilities
712 shall only be allowed to the extent such deliveries do not: (i) interfere with other Project purposes as
713 determined by the Contracting Officer; (ii) reduce the quantity or quality of water available to other
714 Project contractors; (iii) interfere with the delivery of contractual water entitlements to any other
715 Project contractors; or (iv) interfere with the physical maintenance of the Project facilities; Provided,
716 That nothing in this Article is intended to preclude the United States from passing the Contractor's
717 Water Rights Water through Project storage facilities to the extent required to satisfy the Contractor's
718 water rights that are senior to those of the Project under the applicable provisions of California water
719 law. Provided further, That the United States has determined that the delivery of non-Project water
720 in and through Project facilities pursuant to Warren Act Contract No. 6-07-20-W1315 between the
721 United States and the Contractor, as it now exists and as it may be amended, extended or renewed in
722 the future, satisfies the requirements of this Article.

723 (3) The United States shall not be responsible for control, care or
724 distribution of the non-Project water before it is introduced into or after it is delivered from the
725 Project facilities. The Contractor hereby releases and agrees to defend and indemnify the United
726 States and their respective officers, agents, and employees, from any claim for damage to persons or
727 property, direct or indirect, resulting from the acts of the Contractor, its officers', employees, agents
728 or assigns, act in (i) extracting or diverting non-Project water from any source, or (ii) diverting such
729 non-Project water into Project facilities.

730 (4) Diversion of such non-Project water into Project facilities shall be
731 consistent with all applicable laws, and if involving groundwater, consistent with any applicable
732 groundwater management plan applicable to the Contractor for the area from which it was extracted.

733 (5) After Project purposes are met, as determined by the Contracting
734 Officer, the United States and the Contractor shall share priority to utilize the remaining capacity of
735 the facilities declared to be available by the Contracting Officer for conveyance and transportation of

736 non-Project water prior to any such remaining capacity being made available to non-Project
737 Contractors.

738 OPINIONS AND DETERMINATIONS

739 18. (a) Where the terms of this Contract provide for actions to be based upon the
740 opinion or determination of either party to this Contract, said terms shall not be construed as
741 permitting such action to be predicated upon arbitrary, capricious, or unreasonable opinions or
742 determinations. Both parties, notwithstanding any other provisions of this Contract, expressly
743 reserve the right to seek relief from and appropriate adjustment for any such arbitrary, capricious, or
744 unreasonable opinion or determination. Each opinion or determination by either party shall be
745 provided in a timely manner. Nothing in subdivision (a) of Article 18 of this Contract is intended to
746 or shall affect or alter the standard of judicial review applicable under federal law to any opinion or
747 determination implementing a specific provision of Federal law embodied in statute or regulation.

748 (b) The Contracting Officer shall have the right to make determinations necessary
749 to administer this Contract that are consistent with the provisions of this Contract, the laws of the
750 United States and of the State of California, and the rules and regulations promulgated by the
751 Secretary of the Interior. Such determinations shall be made in consultation with the Contractor to
752 the extent reasonably practicable.

753 COORDINATION AND COOPERATION

754 19. (a) In order to further their mutual goals and objectives, the Contracting Officer
755 and the Contractor shall communicate, coordinate, and cooperate with each other, and with other
756 affected Project Contractors, in order to improve the operation and management of the Project. The
757 communication, coordination, and cooperation regarding operations and management shall include,
758 but not be limited to, any action which will or may materially affect the quantity or quality of Project
759 Water supply, the allocation of Project Water supply, and Project financial matters including, but not
760 limited to, budget issues. The communication, coordination, and cooperation provided for hereunder

761 shall extend to all provisions of this Contract. Each party shall retain exclusive decision making
762 authority for all actions, opinions, and determinations to be made by the respective party.

763 (b) Within 120 days following the effective date of this Contract, the Contractor,
764 other affected Project Contractors, and the Contracting Officer shall arrange to meet with interested
765 Project Contractors to develop a mutually agreeable, written Project-wide process, which may be
766 amended as necessary separate and apart from this Contract. The goal of this process shall be to
767 provide, to the extent practicable, the means of mutual communication and interaction regarding
768 significant decisions concerning Project operation and management on a real-time basis.

769 (c) In light of the factors referred to in subdivision (b) of Article 3 of this
770 Contract, it is the intent of the Secretary to improve water supply reliability. To carry out this intent:

771 (1) The Contracting Officer will, at the request of the Contractor, assist in
772 the development of integrated resource management plans for the Contractor. Further, the
773 Contracting Officer will, as appropriate, seek authorizations for implementation of partnerships to
774 improve water supply, water quality, and reliability.

775 (2) The Secretary will, as appropriate, pursue program and project
776 implementation and authorization in coordination with Project Contractors to improve the water
777 supply, water quality, and reliability of the Project for all Project purposes.

778 (3) The Secretary will coordinate with Project Contractors and the State of
779 California to seek improved water resource management.

780 (4) The Secretary will coordinate actions of agencies within the
781 Department of the Interior that may impact the availability of water for Project purposes.

782 (5) The Contracting Officer shall periodically, but not less than annually,
783 hold division level meetings to discuss Project operations, division level water management
784 activities, and other issues as appropriate.

785 (d) Without limiting the contractual obligations of the Contracting Officer under

786 the other Articles of this Contract, nothing in this Article shall be construed to limit or constrain the
787 Contracting Officer's ability to communicate, coordinate, and cooperate with the Contractor or other
788 interested stakeholders or to make decisions in a timely fashion as needed to protect health, safety, or
789 the physical integrity of structures or facilities.

790 CHARGES FOR DELINQUENT PAYMENTS

791 20. (a) The Contractor shall be subject to interest, administrative and penalty charges
792 on delinquent installments or payments. When a payment is not received by the due date, the
793 Contractor shall pay an interest charge for each day the payment is delinquent beyond the due date.
794 When a payment becomes sixty days delinquent, the Contractor shall pay an administrative charge to
795 cover additional costs of billing and processing the delinquent payment. When a payment is
796 delinquent ninety days or more, the Contractor shall pay an additional penalty charge of six (6%)
797 percent per year for each day the payment is delinquent beyond the due date. Further, the Contractor
798 shall pay any fees incurred for debt collection services associated with a delinquent payment.

799 (b) The interest charge rate shall be the greater of the rate prescribed quarterly in
800 the Federal Register by the Department of the Treasury for application to overdue payments, or the
801 interest rate of one-half of one percent per month prescribed by Section 6 of the Reclamation Project
802 Act of 1939 (Public Law 76-260). The interest charge rate shall be determined as of the due date and
803 remain fixed for the duration of the delinquent period.

804 (c) When a partial payment on a delinquent account is received, the amount
805 received shall be applied, first to the penalty, second to the administrative charges, third to the
806 accrued interest, and finally to the overdue payment.

807 EQUAL OPPORTUNITY

808 21. During the performance of this Contract, the Contractor agrees as follows:

809 (a) The Contractor will not discriminate against any employee or applicant for
810 employment because of race, color, religion, sex, or national origin. The Contractor will take
811 affirmative action to ensure that applicants are employed, and that employees are treated during
812 employment, without regard to their race, color, religion, sex, or national origin. Such action shall
813 include, but not be limited to, the following: Employment, upgrading, demotion, or transfer;
814 recruitment or recruitment advertising; layoff or termination, rates of payment or other forms of
815 compensation; and selection for training, including apprenticeship. The Contractor agrees to post in
816 conspicuous places, available to employees and applicants for employment, notices to be provided by
817 the Contracting Officer setting forth the provisions of this nondiscrimination clause.

818 (b) The Contractor will, in all solicitations or advertisements for employees placed
819 by or on behalf of the Contractor, state that all qualified applicants will receive consideration for

820 employment without discrimination because of race, color, religion, sex, or national origin.

821 (c) The Contractor will send to each labor union or representative of workers with
822 which it has a collective bargaining agreement or other contract or understanding, a notice, to be
823 provided by the Contracting Officer, advising the said labor union or workers' representative of the
824 Contractor's commitments under Section 202 of Executive Order 11246 of September 24, 1965, and
825 shall post copies of the notice in conspicuous places available to employees and applicants for
826 employment.

827 (d) The Contractor will comply with all provisions of Executive Order No. 11246
828 of September 24, 1965, as amended, and of the rules, regulations, and relevant orders of the Secretary
829 of Labor.

830 (e) The Contractor will furnish all information and reports required by said
831 amended Executive Order and by the rules, regulations, and orders of the Secretary of Labor, or
832 pursuant thereto, and will permit access to its books, records, and accounts by the Contracting Officer
833 and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules,
834 regulations, and orders.

835 (f) In the event of the Contractor's noncompliance with the nondiscrimination
836 clauses of this Contract or with any of the said rules, regulations, or orders, this Contract may be
837 canceled, terminated, or suspended, in whole or in part, and the Contractor may be declared ineligible
838 for further Government contracts in accordance with procedures authorized in said amended
839 Executive Order, and such other sanctions may be imposed and remedies invoked as provided in said
840 Executive Order, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided
841 by law.

842 (g) The Contractor will include the provisions of paragraphs (a) through (g) in
843 every subcontract or purchase order unless exempted by the rules, regulations, or orders of the
844 Secretary of Labor issued pursuant to Section 204 of said amended Executive Order, so that such
845 provisions will be binding upon each subcontractor or vendor. The Contractor will take such action
846 with respect to any subcontract or purchase order as may be directed by the Secretary of Labor as a
847 means of enforcing such provisions, including sanctions for noncompliance: Provided, however,
848 That in the event the Contractor becomes involved in, or is threatened with, litigation with a
849 subcontractor or vendor as a result of such direction, the Contractor may request the United States to
850 enter into such litigation to protect the interests of the United States.

851 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

852 22. (a) The obligation of the Contractor to pay the United States as provided in this
853 Contract is a general obligation of the Contractor notwithstanding the manner in which the obligation
854 may be distributed among the Contractor's water users and notwithstanding the default of individual
855 water users in their obligations to the Contractor.

856 (b) The payment of charges becoming due hereunder is a condition precedent to
857 receiving benefits under this Contract. The United States shall not make water available to the

858 Contractor through Project facilities during any period in which the Contractor may be in arrears in
859 the advance payment of water rates due the United States. The Contractor shall not furnish water
860 made available pursuant to this Contract for lands or parties which are in arrears in the advance
861 payment of water rates levied or established by the Contractor.

862 (c) With respect to subdivision (b) of this Article, the Contractor shall have no
863 obligation to require advance payment for water rates which it levies.

864 COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS

865 23. (a) The Contractor shall comply with Title VI of the Civil Rights Act of 1964 (42
866 U.S.C. 2000d), Section 504 of the Rehabilitation Act of 1975 (P.L. 93-112, as amended), the Age
867 Discrimination Act of 1975 (42 U.S.C. 6101, et seq.) and any other applicable civil rights laws, as
868 well as with their respective implementing regulations and guidelines imposed by the U.S.
869 Department of the Interior and/or Bureau of Reclamation.

870 (b) These statutes require that no person in the United States shall, on the grounds
871 of race, color, national origin, handicap, or age, be excluded from participation in, be denied the
872 benefits of, or be otherwise subjected to discrimination under any program or activity receiving
873 financial assistance from the Bureau of Reclamation. By executing this Contract, the Contractor
874 agrees to immediately take any measures necessary to implement this obligation, including
875 permitting officials of the United States to inspect premises, programs, and documents.

876 (c) The Contractor makes this agreement in consideration of and for the purpose
877 of obtaining any and all Federal grants, loans, contracts, property discounts, or other Federal financial
878 assistance extended after the date hereof to the Contractor by the Bureau of Reclamation, including
879 installment payments after such date on account of arrangements for Federal financial assistance
880 which were approved before such date. The Contractor recognizes and agrees that such Federal
881 assistance will be extended in reliance on the representations and agreements made in this Article,
882 and that the United States reserves the right to seek judicial enforcement thereof.

883 24. Omitted.

884 CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

885 25. In addition to all other payments to be made by the Contractor pursuant to this
886 Contract, the Contractor shall pay to the United States, within 60 days after receipt of a bill and
887 detailed statement submitted by the Contracting Officer to the Contractor for such specific items of
888 direct cost incurred by the United States for work requested by the Contractor associated with this
889 Contract plus indirect costs in accordance with applicable Bureau of Reclamation policies and
890 procedures. All such amounts referred to in this Article shall not exceed the amount agreed to in

891 writing in advance by the Contractor. This Article shall not apply to costs for routine contract
892 administration.

893 WATER CONSERVATION

894 26. (a) Prior to the delivery of water provided from or conveyed through Federally
895 constructed or Federally financed facilities pursuant to this Contract, the Contractor shall be
896 implementing an effective water conservation and efficiency program based on the Contractor's water
897 conservation plan that has been determined by the Contracting Officer to meet the conservation and
898 efficiency criteria for evaluating water conservation plans established under Federal law. The water
899 conservation and efficiency program shall contain definite water conservation objectives, appropriate
900 economically feasible water conservation measures, and time schedules for meeting those objectives.
901 Continued Project Water delivery pursuant to this Contract shall be contingent upon the Contractor's
902 continued implementation of such water conservation program. In the event the Contractor's water
903 conservation plan or any revised water conservation plan completed pursuant to subdivision (d) of
904 Article 26 of this Contract have not yet been determined by the Contracting Officer to meet such
905 criteria, due to circumstances which the Contracting Officer determines are beyond the control of the
906 Contractor, water deliveries shall be made under this Contract so long as the Contractor diligently
907 works with the Contracting Officer to obtain such determination at the earliest practicable date, and
908 thereafter the Contractor immediately begins implementing its water conservation and efficiency
909 program in accordance with the time schedules therein.

910 (b) Should the amount of M&I Water delivered pursuant to subdivision (a) of
911 Article 3 of this Contract equal or exceed 2,000 acre-feet per Year, the Contractor shall implement
912 the Best Management Practices identified by the time frames issued by the California Urban Water
913 Conservation Council for such M&I Water unless any such practice is determined by the Contracting
914 Officer to be inappropriate for the Contractor.

915 (c) The Contractor shall submit to the Contracting Officer a report on the status of

916 its implementation of the water conservation plan on the reporting dates specified in the then existing
917 conservation and efficiency criteria established under Federal law.

918 (d) At five-year intervals, the Contractor shall revise its water conservation plan to
919 reflect the then-current conservation and efficiency criteria for evaluating water conservation plans
920 established under Federal law and submit such revised water management plan to the Contracting
921 Officer for review and evaluation. The Contracting Officer will then determine if the water
922 conservation plan meets Reclamation's then current conservation and efficiency criteria for
923 evaluating water conservation plans established under Federal law.

924 (e) If the Contractor is engaged indirect groundwater recharge, such activity shall
925 be described in the Contractor's water conservation plan.

926 EXISTING OR ACQUIRED WATER OR WATER RIGHTS

927 27. Except as specifically provided in Article 17 of this Contract, the provisions of this
928 Contract shall not be applicable to or affect non-Project water or water rights now owned or hereafter
929 acquired by the Contractor or any user of such water within the Contractor's Service Area. Any such
930 water shall not be considered Project Water under this Contract. In addition, this Contract shall not
931 be construed as limiting or curtailing any rights which the Contractor or any water user within the
932 Contractor's Service Area acquires or has available under any other contract pursuant to Federal
933 Reclamation law.

934 28. Omitted.

935 CONTINGENT ON APPROPRIATION OR ALLOTMENT OF FUNDS

936 29. The expenditure or advance of any money or the performance of any obligation of the
937 United States under this Contract shall be contingent upon appropriation or allotment of funds.
938 Absence of appropriation or allotment of funds shall not relieve the Contractor from any obligations
939 under this Contract. No liability shall accrue to the United States in case funds are not appropriated
940 or allotted.

941 BOOKS, RECORDS, AND REPORTS

942 30. (a) The Contractor shall establish and maintain accounts and other books and

943 records pertaining to administration of the terms and conditions of this Contract, including: the
944 Contractor's financial transactions, water supply data, and Project land and right-of-way agreements;
945 water use data; and other matters that the Contracting Officer may require. Reports thereon shall be
946 furnished to the Contracting Officer in such form and on such date or dates as the Contracting Officer
947 may require. Subject to applicable Federal laws and regulations, each party to this Contract shall
948 have the right during office hours to examine and make copies of the other party's books and records
949 relating to matters covered by this Contract.

950 (b) Notwithstanding the provisions of subdivision (a) of this Article, no books,
951 records, or other information shall be requested from the Contractor by the Contracting Officer unless
952 such books, records, or information are reasonably related to the administration or performance of
953 this Contract. Any such request shall allow the Contractor a reasonable period of time within which
954 to provide the requested books, records, or information.

955 (c) Omitted.

956 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

957 31. (a) The provisions of this Contract shall apply to and bind the successors and
958 assigns of the parties hereto, but no assignment or transfer of this Contract or any right or interest
959 therein shall be valid until approved in writing by the Contracting Officer.

960 (b) The assignment of any right or interest in this Contract by either party shall not
961 interfere with the rights or obligations of the other party to this Contract absent the written
962 concurrence of said other party.

963 (c) The Contracting Officer shall not unreasonably condition or withhold approval
964 of any proposed assignment.

965 SEVERABILITY

966 32. In the event that a person or entity who is neither (i) a party to a Project contract, nor
967 (ii) a person or entity that receives Project Water from a party to a Project contract, nor (iii) an
968 association or other form of organization whose primary function is to represent parties to Project
969 contracts, brings an action in a court of competent jurisdiction challenging the legality or
970 enforceability of a provision included in this Contract and said person, entity, association, or
971 organization obtains a final court decision holding that such provision is legally invalid or

972 unenforceable and the Contractor has not intervened in that lawsuit in support of the plaintiff(s), the
973 parties to this Contract shall use their best efforts to (i) within 30 days of the date of such final court
974 decision identify by mutual agreement the provisions in this Contract which must be revised and (ii)
975 within three months thereafter promptly agree on the appropriate revision(s). The time periods
976 specified above may be extended by mutual agreement of the parties. Pending the completion of the
977 actions designated above, to the extent it can do so without violating any applicable provisions of
978 law, the United States shall continue to make the quantities of Project Water and/or Contractor's
979 Water Rights Water specified in this Contract available to the Contractor pursuant to the provisions
980 of this Contract which were not found to be legally invalid or unenforceable in the final court
981 decision.

982 RESOLUTION OF DISPUTES

983 33. Should any dispute arise concerning any provisions of this Contract, or the parties'
984 rights and obligations thereunder, the parties shall meet and confer in an attempt to resolve the
985 dispute. Prior to the Contractor commencing any legal action, or the Contracting Officer referring
986 any matter to Department of Justice, the party shall provide to the other party 30 days' written notice
987 of the intent to take such action; Provided, That such notice shall not be required where a delay in
988 commencing an action would prejudice the interests of the party that intends to file suit. During the
989 30-day notice period, the Contractor and the Contracting Officer shall meet and confer in an attempt
990 to resolve the dispute. Except as specifically provided, nothing herein is intended to waive or abridge
991 any right or remedy that the Contractor or the United States may have.

992 OFFICIALS NOT TO BENEFIT

993 34. No Member of or Delegate to Congress, Resident Commissioner, or official of the
994 Contractor shall benefit from this Contract other than as a water user or landowner in the same
995 manner as other water users or landowners.

996 CHANGES IN CONTRACTOR'S SERVICE AREA

997 35. (a) While this Contract is in effect, no change may be made in the Contractor's

998 Service Area, by inclusion or exclusion of lands, dissolution, consolidation, merger, or otherwise,
999 except upon the Contracting Officer's written consent.

1000 (b) Within 30 days of receipt of a request for such a change, the Contracting
1001 Officer will notify the Contractor of any additional information required by the Contracting Officer
1002 for processing said request, and both parties will meet to establish a mutually agreeable schedule for
1003 timely completion of the process. Such process will analyze whether the proposed change is likely
1004 to: (i) result in the use of Project Water contrary to the terms of this Contract; (ii) impair the ability of
1005 the Contractor to pay for Project Water furnished under this Contract or to pay for any Federally-
1006 constructed facilities for which the Contractor is responsible; and (iii) have an impact on any Project
1007 Water rights applications, permits, or licenses. In addition, the Contracting Officer shall comply with
1008 the NEPA and ESA. The Contractor will be responsible for all costs incurred by the Contracting
1009 Officer in this process, and such costs will be paid in accordance with Article 25 of this Contract.

1010 FEDERAL LAWS

1011 36. By entering into this Contract, the Contractor does not waive its rights to contest the
1012 validity or application in connection with the performance of the terms and conditions of this
1013 Contract of any Federal law or regulation; Provided, That the Contractor agrees to comply with the
1014 terms and conditions of this Contract unless and until relief from application of such Federal law or
1015 regulation to the implementing provision of the Contract is granted by a court of competent
1016 jurisdiction.

1017 NOTICES

1018 37. Any notice, demand, or request authorized or required by this Contract shall be
1019 deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid, or delivered
1020 to the Area Manager, Bureau of Reclamation, 7794 Folsom Dam Road, Folsom, California 95630-
1021 1799, and on behalf of the United States, when mailed, postage prepaid, or delivered to the Board of
1022 Directors of the San Juan Water District, 9935 Auburn Folsom Road, Granite Bay, California 95746.
1023 The designation of the addressee or the address may be changed by notice given in the same manner
1024 as provided in this Article for other notices.

1025 CONFIRMATION OF CONTRACT

1026 38. The Contractor, after the execution of this Contract, shall furnish to the Contracting
1027 Officer evidence that pursuant to the laws of the State of California, the Contractor is a legally

1028 constituted entity and the Contract is lawful, valid, and binding on the Contractor. This Contract
1029 shall not be binding on the United States until such evidence has been provided to the Contracting
1030 Officer's satisfaction.

1031 IN WITNESS WHEREOF, the parties hereto have executed this Contract as of the day and
1032 year first above written.

1033 THE UNITED STATES OF AMERICA

1034 By: _____
1035 Regional Director, Mid-Pacific Region
1036 Bureau of Reclamation

1037 (SEAL)

1038 SAN JUAN WATER DISTRICT

1039 By: _____
1040 President of the Board of Directors

1041 Attest:

1042 By: _____
1043 Secretary of the Board of Directors

1044 (H:\pub 440\LTRC\Folsom Final Draft LTRC's\10-25-04 San Juan Final Draft Contract with
1045 exhibits.doc)

EXHIBIT A

[Map or Description of Service Area]

EXHIBIT B
SAN JUAN WATER DISTRICT – FOLSOM LAKE

	<u>2004 Water Rates Per</u> <u>Acre-Foot</u>
COST-OF-SERVICE RATES:	<u>M&I Water</u>
Capital Rates:	\$6.01
O&M Rates:	
Water Marketing	\$5.01
Storage	\$6.38
Conveyance	\$0.00
Direct Pumping	\$0.00
Deficit Rates:	
Non-Interest Bearing	\$0.00
Interest Bearing	\$0.00
CFO/PFR Adj. Rate: *	\$5.24
CONTRACT RATE:	\$22.64
Tiered Pricing Component >80% <=90% of Contract Total (Full Cost Rate – COS Rate)/2	\$1.87
Tiered Pricing Component >90% of Contract Total (Full Cost Rate – COS Rate)	\$3.74
SURCHARGES UNDER P.L. 102-575 TO RESTORATION FUND**	
M&I Surcharge	\$32.58
Restoration Payments [3407(d)(2)(A)]	\$15.64

* Rate represents the Chief Financial Officer (CFO) adjustment and Provision for Replacement (PFR) credit for option 2 cost deferral to be distributed over a 5-year period beginning with 2003 water rates.

** The surcharges are payments in addition to the water rates and were determined pursuant to Title XXXIV of Public Law 102-575. Restoration fund surcharges under P.L. 102-575 are on a fiscal year basis (10/1-9/30).